some unfair advertising, that maybe he might someday himself try to correct if we don't find ways and means of correcting it within the financial institutions.

Senator PROXMIRE. Here again I think it would be very helpful to this committee if you gentlemen could consider this problem and recommend what changes, if any, you consider desirable in the law to give you the authority to prevent this deceptive advertising. Truth in lending is one real possibility.

Mr. McLean suggests we ought to have truth in savings. At any rate, I think that the legislation could be relatively noncontroversial and we could probably pass it quite easily.

I have a few more questions, but I have taken a long time. I will proceed as rapidly as I can.

I want to come to something, Governor Robertson, that is at the heart of the monetary and economy policy that confronts us. I ask these questions because I think one of the great quandaries we have is what we are going to do in the coming months in the event, as I expect, this economy is going to cool off sharply. I think we have a real overkill in the kind of action Congress is going to take. I may be wrong. I know Secretary Deming disagrees, and I think all you gentlemen do. But I think by the end of the year we could have some unemployment problems, with a 10-percent surtax, a $6 billion cut in expenditures, and the high interest rates. The argument is that while you get the 10-percent surtax and you get the reduction in spending, the interest rates will come down. But I am not sure they can in view of the international situation. If that were out of the picture, if we didn't have to worry about outflow of capital, I think that it might be much more logical. Under these circumstances, I would like to ask Governor Robertson these questions, because I think it is very important that we do all we can to create a situation which, if we had to try to maintain interest rates because of the international situation, we could still give the housing industry the green light so they could move ahead and help us prevent the kind of unemployment which I fear.

Why has the Federal Reserve Board elected to buy agency issues through short-term repurchase agreements rather than direct purchases?

Mr. ROBERTSON. May I first say that I don't agree with your assumption that we ought to gear monetary policy, which has an effect on interest rates, to our international problems without considering the effect at home. I think this is the wrong way to go about it. If you want to prevent outflows of funds, you can do it through different instruments than monetary policy. Assuming for any——

Senator PROXMIRE. That is an interesting observation, very interesting. Everything I have read has suggested monetary policy is probably much more effective in the short run at least than fiscal policy in our balance-of-payments situation. If, for example, we have low-interest rates compared to the interest rates abroad, money is going to flow out.

Mr. ROBERTSON. I think that is right. But it doesn't mean to me that you ought to use monetary policy in a different way than is called for by the domestic economy.

Senator PROXMIRE. Do you let the balance of payments deteriorate?

Mr. ROBERTSON. Not at all.